

3 1761 11554456 1

CALL NO.
CA1
FN 57
-B67

GOVT

GOVT PUBNS

To The ADVISORY BOARD
ON TARIFF AND TAXATION

COAL and COKE

Tariff Items No. 1019 and 1049

SUPPLEMENTARY BRIEF SUBMITTED BY
THE STEEL COMPANY OF CANADA, LIMITED
HAMILTON, Ontario

CAI
FN 57
-B 67

November 17th, 1928

To The Advisory Board on Tariff and Taxation

Supplementary Brief submitted on behalf of THE STEEL COMPANY OF CANADA, LIMITED, Hamilton, Ontario, in respect to the application of The British Empire Steel Corporation, Limited, asking for the cancellation of Tariff Items Nos. 1019 and 1049.

We assume that we will be permitted to add a supplementary statement in reply to the revised Brief submitted in November 1928 by the Dominion Coal Company and allied interests. We desire to do this, as, in our opinion, certain statements made in the revised Brief may be amplified to some extent, and supplemented by information which will make the exact situation clearer. Although a larger number of paragraphs might be referred to, it will be our intention to deal with only a few of the more important.

Everyone will be in agreement with the statement that the Maritime Province coal industry is of major importance to the Maritime Provinces, and is also important to Canada generally, and there is no argument which can be advanced to the contrary. It will, no doubt, be the purpose of your Board to take into consideration the arguments advanced in order to determine if relief is necessary and to avoid action which will, in turn, affect adversely the interests of other sections of the country.

Section 10, on page 5, refers to the protection afforded coal under the Canadian Customs' Tariff. This is dealt with on page 8 of our original Brief. The Blue Book figures are:—

| Imports of Bituminous Coal into Canada for Years Ending March 31st. | | |
|--|--------------|--------------|
| | 1928 | 1927 |
| In Net Tons..... | 12,791,273 | 13,079,418 |
| In Value | \$26,395,455 | \$26,980,950 |
| Duty Collected | 6,376,621 | 6,539,984 |
| Percentage of Duty Collected to Value.. | 24.16 | 24.23 |

It is possible that an oversight has occurred in the Brief of the Applicants, Section 10, whereby the "average rate of duty on all coal, dutiable and free" is placed at 10½%. This computation is the result of including in the importations of coal the tonnage of anthracite coal, which has nothing to do with the subject under discussion.

Sections 14 and 15 deal with another phase of importations and claim that the effective rate of protection is reduced by importations under Drawback items Nos. 1019 and 1049. It is true that the tonnages of coal which are subject to drawback under these items would equal about 10% of the total importations into the Provinces of Quebec and Ontario, but by reason of the fact that such importations do not affect, and have not affected the business of the Applicants, it is not clear how such importations can have reduced the rate of protection applying to their sales.

The total amount of importations into the Provinces of Quebec and Ontario involve the annual payment by the users of coal in such territory to the Dominion Exchequer of practically \$6,000,000 in the shape of duties on coal which they are largely compelled to import. The amount of duty collected represents, therefore, the equivalent of over \$2.00 per net ton for every ton of Maritime Province coal shipped up the St. Lawrence, or about \$3.00 per ton on the consumption of Nova Scotia coal in the most competitive areas of their natural market. These figures are submitted merely with the idea of exposing the extent to which industry generally is contributing to help the coal situation in the Maritime Provinces.

Section 12, page 7, makes the statement that the abolition of the duty would effect a reduction in the price of coal to the consumer of only about 10%. This statement, however, brings up another important factor to be considered, i.e., that transportation costs afford the equivalent of protection to Maritime coal to a degree much greater than is generally realized. The following figures indicate approximate current costs of coal in the important mining areas in the United States competing with Nova Scotia coal, and show the laid down cost at Montreal, including duty and freight, taking advantage of the lowest cost of transportation, i.e., movement by rail and water during open navigation:—

| Shipments of R/M Coal From To Montreal | Northern Pennsylvania via Sodus Pt. | Fairmount & Morgantown District, West Vir- ginia via Lake Erie ports, Erie & Ashtabula | S.W. Vir- ginia & Kentucky via Lake Erie Ports, Sandusky & Toledo | Pocohantas Coal from S.W. Vir- ginia via Toledo |
|--|--|---|---|---|
| Sales price f.o.b. cars at mine..... | \$1.35 to 1.45 | \$1.20 to 1.25 | \$1.40 to 1.50 | \$1.50 to 1.60 |
| Rail freight inc. load- ing charge to boat.. | \$1.81 | \$1.79 | \$1.89 | \$2.04 |
| Boat freight | .95 | 1.40 | 1.50 | 1.50 |
| Total freight..... | 2.76 | 3.19 | 3.39 | 3.54 |
| Duty | .50 | .50 | .50 | .50 |
| Total cost..... | \$4.61 to 4.71 | \$4.89 to 4.94 | \$5.29 to 5.39 | \$5.54 to 5.64 |
| Total freight cost per- centage of total cost | 59.9 to 58.6% | 65.2 to 64.6% | 64 to 63% | 64 to 63% |

It will be noted from examination of the above table that transportation costs on imported coal entirely overshadow the rate of duty in providing protection to Maritime Province coal moved to Montreal by cheapest route. Everyone will be in agreement with the statement that it is a most natural situation that any low grade mining product, such as coal, should depend, to a very large extent, for protection in its logical market upon the cost of transportation applying to fuel from competitive fields. The distribution of any crude material of low cost invariably involves a transportation charge high in proportion to sales price. This defines a natural market, the extent of which is determined by the transportation charges from the nearest competitive fields.

Section 27 dealing with drawback item No. 1019 repeats the contention that this item has had an adverse effect upon the Nova Scotia coal industry. There may possibly be exceptions of an unimportant character but it may be stated as an indisputable fact that Maritime coal has never been supplied to any of the important users taking advantage of drawback item 1019. It is, therefore, difficult to understand how the interests of the Nova Scotia coal industry have been adversely affected. Practical evidence should be submitted in support of Applicants' statement.

Under Section 29 discrimination is again charged against the Nova Scotia Steel industry in favour of the steel industry elsewhere. We have dealt with this in our Brief, but it may be added that there can be no handicap proven if the cost of coal to the Nova

1 1/2 tons of coal per ton of ingots produced.

1.35 coal to 1 basic pig

1.45 - 1.05 1 foundry pig -

700 lbs coke

Scotia steel producer is lower than the cost of coal to steel producers elsewhere. As we have pointed out, the Nova Scotia steel producer has the advantage of having supplies of coal immediately adjacent to the point of steel production.

Section 30. The crux of the new evidence submitted appears to be contained in Section 30, which endeavours to establish the alternative accepted previously by Mr. Wolvin when the matter was originally presented to your Board. We doubt if there has been any other intention than to ask for a bounty on Canadian coal used in the manufacture of steel. This has been dealt with in our Brief, but we should like to say that the attempt to convey to your Board the impression that there is any payment made to steel plants using other than domestic coal is a misinterpretation of facts. The relinquishment of the duty, under Items 1019 and 1049, cannot be considered as a payment in any sense of the word. It is a Tariff policy established by the Government, having for its reason the facts set forth in our Brief, wherein we have fully covered the subject and have pointed out that coal was never imported for the purposes referred to in the items, nor was any duty ever paid in this connection to the Exchequer of the Dominion of Canada prior to the enactment of Items 1019 and 1049. Therefore, all claims of discrimination or representations that the items constitute a bonus are submitted under an erroneous conception of the facts involved.

The claim in Summary, Section "D," page 16, that there has been any discrimination is entirely unsupported, as no facts have been brought forward which indicate that the interests of the Canadian coal mines have been affected in any way. Only unsupported statements have been submitted to you.

If the principle referred to in Section "G," page 16, is accepted, namely, the suggested payment by the Government of a bounty to any Canadian producer doing business in Canada under the numerous Home Consumption Drawback and free items with which our Tariff is replete, said bounty to be equal to the amount of duty involved, it would give rise to innumerable claims from nearly all classes of industry and place upon the Government a responsibility which it would seem impossible to consider. In the Steel industry, as pointed out on pages 20 and 21 of our original Brief, there are innumerable Tariff items which provide for a Home Consumption Drawback of 99%, and other items where free entry is permitted applying to steel when used in Canada for particular purposes. The most important of these are the following:—

Item 445-B providing for the free entry of rolled iron, rolled steel, and pig iron, when used by manufacturers of practically all

kinds of agricultural implements, supported by Item 1026 providing a drawback of 99% on other material for similar uses.

Item 1021 provides for 99% drawback on wire rods used in the manufacture of galvanized wire.

Item 384-A provides for a drawback of 99% on black sheets, hoops and band steel when imported to be galvanized.

Item 1055 provides for a drawback of 25% on materials used in the manufacture of automobiles.

We could cite a large number of additional items of equal or lesser importance in the application of which we, as steel manufacturers, are faced with the free (or practically free) entry of competing material from external sources, and against which we are forced to do business with consumers of such material in Canada. The acceptance of the policy suggested by the Applicants on behalf of coal would necessitate the extension of similar treatment to ourselves and a great number of firms in other industries doing business under like circumstances. The Government would require to assume the obligation of paying to ourselves and others a bounty or bounties based upon the amount of drawback per ton or other unit in connection with sales by Canadian producers to domestic consumers under the numerous Home Consumption drawback items in the Canadian Tariff. Likewise, a bounty could be claimed on sales by domestic producers to Canadian consumers such as would be equal per ton or other unit to amounts involved in the cancellation of duties usually collected upon imports of materials which are made free in favor of certain accepted needs. This would be most acceptable, we are sure, but would launch a policy of very broad application, involving millions of dollars, and affecting Governmental revenue to an extent which would be most important, apart from any question as to whether or not the idea is a workable one from an administrative standpoint.

Whether implied in the Brief or not, we feel sure that there are no grounds for considering that any antagonism exists, so far as one may judge, towards the progress of industry, in all its phases, in the Maritime Provinces. There should be no feelings of reproach towards the attitude of the balance of the country in respect to the rights of the Maritimes, as we believe is evidenced by the efforts which have been made over many years, and in various ways, to assist in the solution of their particular problems.

Your Board doubtless will heed the representations put forward on behalf of the miners of Nova Scotia, yet we believe that these will be considered with due regard to equal obligations towards the


workers elsewhere. It is clear that the Mine Owners of the Maritime Provinces have lived up to their full obligations as employers of labour—evidenced by the records made public by The British Empire Steel Corporation in 1924—which indicated that, from the year 1914 up to and including 1924, the wages of the workers in and about their mines had been advanced over 230% and have since been further advantaged. This, we believe, considerably exceeds any comparative advance in general industrial wages or comparative increases in commodity prices, or cost of living as indicated by the indices published.

Withdrawn

Respectfully submitted,

THE STEEL COMPANY OF CANADA, LIMITED

R. H. McMASTER,
President.



Digitized by the Internet Archive
in 2022 with funding from
University of Toronto

<https://archive.org/details/31761115544561>

